

Honolulu, Hawaii  
APR 25 2014

RE: S.B. No. 2470  
S.D. 1  
H.D. 1  
C.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Madam and Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 2470, S.D. 1, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE HAWAII HEALTH CONNECTOR,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to:

- (1) Designate the Hawaii Health Connector (Connector) as the official State of Hawaii health insurance exchange;
- (2) Establish advisory groups to advise the Connector Board of Directors (Board);
- (3) Create the Hawaii Health Connector Legislative Oversight Council to review the financial and operational plans of the Connector;



- (4) Permit certified insurance agents and brokers to be compensated for enrolling individuals and employers in qualified plans through the Connector;
- (5) Require the Connector Board to submit a sustainability plan to the Oversight Council and the Insurance Commissioner;
- (6) Establish the Hawaii health insurance exchange special fund;
- (7) Expanding the ability of the Connector to generate revenue;
- (8) Amend the membership and composition of the Connector Board; and
- (9) Appropriate funds for the operations of the Connector.

Your Committee on Conference finds that the Hawaii Health Connector is the designated health insurance exchange for the State of Hawaii and is charged with the responsibility of implementing applicable parts of the federal Patient Protection and Affordable Care Act of 2010 (Affordable Care Act). Your Committee on Conference further finds that the successful and efficient operation of the Connector is essential for the State, health insurers, and insured persons in Hawaii to comply with the new requirements of the Affordable Care Act. The sustainability of the Hawaii Health Connector is also critical to ensure the continued applicability of Hawaii's Prepaid Health Care Act.

Your Committee on Conference additionally finds that evolving federal health care regulations and the need for greater transparency and oversight over the Connector necessitate that the State revise the structure of the Connector's Board of Directors and require the Legislature to take a proactive oversight role to monitor the Connector. Finally, your Committee on Conference finds that this measure clarifies the status of the Connector as the official health insurance exchange for the State; provides for greater transparency and legislative oversight in the Connector; and provides for the sustainability of the Connector and, by extension, the Hawaii Prepaid Health Care Act.

Your Committee on Conference has amended this measure by:



- (1) Deleting language that would have established a consumer, patient business, and health care advisory group, a health insurer advisory group, and an insurance producers advisory group;
- (2) Amending the name of the Hawaii Health Connector Oversight Council to the Connector Legislative Oversight Committee (Oversight Committee) and amending the composition and the duties of the Oversight Committee;
- (3) Requiring the Hawaii Health Connector Board of Directors (Board) to prepare and submit to the Oversight Committee a report with updates on the sustainability plan of the Connector, including specific efforts to reduce costs related to contracted services and other actions; copies of any federal audits; and copies of the annual financial statements of the Connector;
- (4) Clarifying the contents of the sustainability plan the Board must submit to the Oversight Committee, including a detailed sustainability plan that includes a three-year budget projection for the upcoming three fiscal years;
- (5) Removing language that permitted the Board to recommend to the Governor legislative action, if necessary, for the Connector;
- (6) Specifying that Connector-certified insurance agents and brokers are permitted to enroll individuals and employers in qualified plans through the Connector, and noting that if a health insurance plan utilizes and compensates an insurance agent or broker, the Connector shall not be responsible for any compensation to that agent or broker that sells a qualified health plan through the Connector;
- (7) Deleting language that would have established a Hawaii Health Insurance Exchange special fund;
- (8) Requiring the Connector to submit the results of the Connector's annual audit to the Legislature, in addition to the Insurance Commissioner and requiring the annual audit to comply with standard accounting practices for reviewing nonprofit corporations;
- (9) Clarifying the Connector's ability to generate revenue, including permitting the Connector to sell or lease its



information technology infrastructure and services to other separate non-Connector programs;

- (10) Amending the membership and composition of the Connector Board, including:
- (A) Stating that the Board shall be composed of nine voting members and five ex officio members;
  - (B) Removing members representing insurers and dental benefit providers from the Board but permitting the Board to establish a subcommittee of representatives from all providers of health care insurance and dental benefits;
  - (C) Permitting the Board to establish other subcommittees to assist the Connector with implementation of the Affordable Care Act, as appropriate;
  - (D) Clarifying procedures for making appointments and filling vacancies on the Board, including requiring the Board, Speaker of the House of Representatives, and President of the Senate to each submit to the Governor the names of two qualified nominees for each vacant position on the Board;
  - (E) Clarifying the areas of education, training, or professional experience that members of the Board must possess;
  - (F) Requiring all but one of the state agency representatives on the Board to be ex officio nonvoting members and specifying the list of state representatives from which the Governor may designate an official state representative to serve as an ex officio voting member of the Board; and
  - (G) Requiring any changes to the Board structure and governance to be in compliance with federal law;
- (11) Repealing the requirement for the Department of Human Services to determine Medicaid eligibility for purposes of purchasing plans from the Connector;
- (12) Deleting language that would have appropriated: general funds for necessary expenses incurred by members of



certain advisory groups; general funds to the Hawaii health insurance exchange special fund; and funds out of the Hawaii health insurance exchange special fund;


- (13) Inserting a general fund appropriation of \$1,500,000 for the operations of the Connector, to be expended by the Department of Commerce and Consumer Affairs; provided that the funds shall be expended only after the Connector amends its articles of incorporation or bylaws to bring the Connector into compliance with section 435H-4, Hawaii Revised Statutes;
- (14) Updating the purpose section;
- (15) Inserting an effective date of July 1, 2014; provided that the provisions in this measure that amend the composition of the Connector Board shall take effect on October 1, 2014; and
- (16) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of S.B. No. 2470, S.D. 1, H.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as S.B. No. 2470, S.D. 1, H.D. 1, C.D. 1.

Respectfully submitted on behalf  
of the managers:

ON THE PART OF THE HOUSE

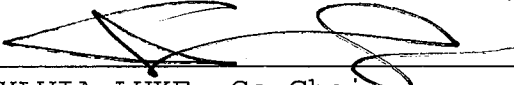
ON THE PART OF THE SENATE

  
DELLA AU BELATTI, Co-Chair

  
ROSALYN H. BAKER, Chair

  
ANGUS L.K. MCKELVEY, Co-Chair

  
DAVID Y. IGE, Co-Chair

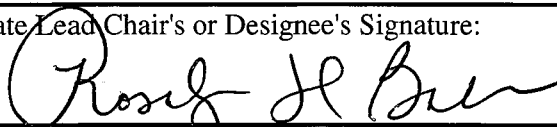
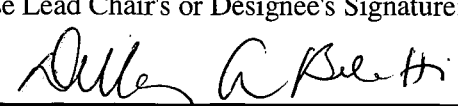
  
SYLVIA LUKE, Co-Chair



Hawaii State Legislature

CLR 87-14

Record of Votes of a  
Conference Committee

Bill / Concurrent Resolution No.: <b>SB 2470, SD 1, HD 1</b>					Date/Time: <i>2:52 pm 4/25/14</i>					
<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).										
<input type="checkbox"/> The Committee is reconsidering its previous decision.										
<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.					
Senate Managers	A	WR	N	E	House Managers	A	WR	N	E	
BAKER, Rosalyn H., Chr.	✓				BELATTI, Della Au, Co-Chr.	✓				
IGE, David Y., Co-Chr.	✓				MCKELVEY, Angus L.K., Co-Chr.	✓				
GREEN, Josh	✓				LUKE, Sylvia, Co-Chr.	✓				
KOUCHI, Ronald D.	✓				NISHIMOTO, Scott Y.	✓				
TANIGUCHI, Brian T.				✓	YAMASHITA, Kyle T.				✓	
WAKAI, Glenn				✓	JOHANSON, Aaron Ling				✓	
TOTAL	4	-	-	2	TOTAL	4	-	-	2	
A = Aye		WR = Aye with Reservations			N = Nay		E = Excused			
Senate Recommendation is:					House Recommendation is:					
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					
Senate Lead Chair's or Designee's Signature:					House Lead Chair's or Designee's Signature:					
										
Distribution:		Original			Yellow		Pink		Goldenrod	
		File with Conference Committee Report			House Clerk's Office		Senate Clerk's Office		Drafting Agency	